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SUBJECT: TELECOM COOPERATION AND TELMEX

¶1. (SBU) SUMMARY: Hector Osuna, President of Mexico's Federal Telecommunications Commission (COFETEL), emphasized U.S.-Mexico telecom cooperation in an 8 September meeting with Econoff. He judged that initiatives on borderless calling, mutual recognition of telecom equipment (CITEL MRA), and spectrum auction software would move forward if pushed by the USG. On the domestic front, he stated that Telmex's entrance into television would depend on the company's compliance with COFETEL directives to reduce interconnection rates. END SUMMARY.

CROSS-BORDER LOCAL CALLING AREAS

¶2. (SBU) A former Partido Accion Nacional Mayor of Tijuana and Senator for Baja California, Osuna is notably focused on border initiatives. He believes conditions that prevented signature of a bilateral borderless calling plan in summer 2008 have shifted in the proposal's favor. Borderless calling would create international local service areas between border city pairs, resulting in lower prices for callers. His read of the changing winds is that: 1) newly-stable leadership at the Secretariat of Communications and Transportation enables the Secretariat to re-focus on the initiative; 2) Telmex, whose opposition derailed negotiations, claims to have dropped its objections; and 3) lower call tariffs for families divided by the frontier is a ready sell to Mexican political parties.

CITEL MRA

¶3. (SBU) Osuna admitted Mexico had room for progress in implementing the Inter-American Mutual Recognition Agreement for Conformity Assessment of Telecommunications Equipment signed in 1999. He said lack of movement by Mexico was not indicative of a lack of will to comply. Rather, this was a manifestation of the lack of personnel dedicated to the issue. He felt the lead belonged to the Secretariat of Economia and suggested Economia convene an interagency group with COFETEL and Secretariat of Foreign Relations members to tackle the issue jointly with USG counterparts.

SPECTRUM AUCTIONS

¶4. (SBU) COFETEL continues its work to ready three spectrum auctions for mobile operator concessions, in the 1.7, 1.9, and 3.4 GHz bands. Of these, planning is most advanced for 1.7 and 1.9 (Advanced Wireless Services); COFETEL has set aside 40 MHz in 1.7 for a new entrant and hopes U.S. firms will participate. Osuna said he would publish the official call for bidders, including auction dates, within two weeks. He also said COFETEL was ready to buy U.S.-recommended spectrum auction software and that he would likely travel to Washington in late September with the software on his agenda. The sale has faced delay due to funding uncertainty since ¶2008.

NEGOTIATING WITH TELMEX

¶5. (SBU) Recent COFETEL efforts to reduce interconnection rates and increase competition have as usual run into resistance from Telmex. Rather than filing legal stays against COFETEL's consolidation of local calling areas, Telmex is simply not complying with the directive. The company's lawyers are preparing to challenge the May determination under the Technical Interconnection and Interoperability Plan that Telmex has asymmetrical obligations as the operator with the greatest number of access paths. Osuna remarked that the harder Telmex fought COFETEL efforts to establish reasonable interconnection rates, the longer Telmex's application to offer TV services would languish. (NOTE: As convergence drives TV duopolist Televisa closer to entering the voice and data markets, Telmex sees provision of video as key to its fixed line future. END NOTE.)

¶6. (SBU) COMMENT: Encouraging words on Mexican telecom do not always translate into action, but Osuna is clearly open to a cooperative agenda. He and Commissioner Rafael del Villar, often depicted as rivals within COFETEL, agree borderless calling is ready for a new look. Undersecretary for Communications Gabriela Hernandez, the other pole of telecom regulatory power, also knows the near-deal well from her previous post as director general for telecom policy. If Telmex's objections have weakened as Osuna believes -- in particular if the firm accepts the USG and GOM argument that increased call volumes will offset reductions to call tariffs -- borderless calling might be within reach. END COMMENT.

PASCUAL